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FISCAL IMPACT STATEMENT

LS 6121 **NOTE PREPARED:** Feb 28, 2012
BILL NUMBER: SB 19 **BILL AMENDED:** Feb 27, 2012

SUBJECT: Real Property Reassessment.

FIRST AUTHOR: Sen. Boots **BILL STATUS:** As Passed House
FIRST SPONSOR: Rep. Richardson

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: (Amended) *Cyclical Reassessment*: This bill requires the county assessor of each county before July 1, 2013, and before July 1 of every fourth year thereafter to prepare and submit to the Department of Local Government Finance (DLGF) a reassessment plan for the county. It specifies that the reassessment plan is subject to approval by the DLGF. The bill requires the DLGF to complete its review and approval of the reassessment plan before March 1 of the year following the year in which the reassessment plan is submitted by the county and it provides that subject to review and approval by the DLGF, the county assessor may modify a reassessment plan.

The bill provides that the reassessment plan must divide all parcels of real property in the county into different groups of parcels. It requires that each group of parcels must contain at least 25% of the parcels within each class of real property in the county. It requires the reassessment of the first group of parcels under a county's reassessment plan to begin July 1, 2014, and be completed on or before March 1, 2015. The bill also specifies procedures for taxpayers to petition the DLGF for reassessment of parcels in a group and a schedule for completion of reassessment of parcels in a group.

This bill requires the assessor to submit land values to the county property tax assessment board of appeals (PTABOA) by the dates specified in the county's reassessment plan.

The bill provides that the notice of assessment that must be sent to taxpayers by assessing officials is in addition to any required notice of assessment included in a property tax statement. It specifies that the assessing official may provide the notice by mail or by using electronic mail that includes a secure Internet link to the information in the notice.

Soil Productivity Factors: This bill specifies that the soil productivity factors used for March 1, 2011, shall be used for the March 1, 2012, assessment date, instead of the new values determined by the DLGF for March 1, 2012.

Property Tax Bills: The bill specifies procedures for resolving multi-year delays in the issuance of tax bills for counties that are at least three years behind in issuing tax bills.

Redevelopment Commission Reports: This bill also specifies additional reporting requirements for redevelopment commissions. Requires redevelopment commissions to submit copies of the required reports to the DLGF.

Effective Date: (Amended) Upon Passage; February 29, 2012 (Retroactive); July 1, 2012; January 1, 2013.

Explanation of State Expenditures: *Cyclical Reassessment*: See Explanation of Local Revenues.

(Revised) *Property Tax Bills*: The DLGF would be permitted to adopt emergency rules to carry out resolution of a multi-year delay in tax bills.

Explanation of State Revenues:

Explanation of Local Expenditures: *Cyclical Reassessment*: Under current law, a general reassessment involving a physical inspection of all real property occurs every five years. The work cycle begins on July 1st, two years prior to the March 1st assessment date for which the reassessment is effective, allowing a 20 month window in which to complete the reassessment work.

Under a four-year cyclical reassessment schedule, expenditures for reassessment in a county would be spread from a 20 month period within each five-year span to a period of up to four years. The overall reassessment period would be reduced from five years to four years. Over time, property would be physically inspected more often under this bill than under current law. On one hand, the increased frequency could add to the overall cost of performing physical inspections over a long period of time. On the other hand, counties may be able to perform more reassessment work in-house using current resources under the cyclical schedule, thereby reducing costs. The cyclical schedule could also result in lower professional appraisal costs if less overtime work is needed to meet the new deadlines.

Currently, an assessing official must send a notice of assessment (Form 11) by mail to a property owner any time the official assesses or reassesses property. This bill would clarify that the official must send the notice after making an annual adjustment. Additionally, this bill would permit an assessing official to deliver the notice by email. The option for electronic delivery could reduce postage costs for counties.

(Revised) *Property Tax Bills*: This provision would set procedures for issuing reconciliation tax bills covering multiple years. It would apply to any county that after December 31, 2011, is at least 3 years behind in issuing final property tax bills. Currently, LaPorte County is the only county that would be affected. LaPorte County has not yet sent reconciliation bills for 2009, 2010, or 2011 taxes. Tax bills for 2012 will also be late.

A covered county would be required to set aside in a separate fund, $1 M for each consecutive year that the county experienced billing delays before the year in which the county becomes a covered county. The set aside would amount to $3 M for Laporte County. The amount of the set aside would be reduced to zero if all outstanding reconciliation statements are mailed by January 15th of the year after the county becomes a covered county. The set aside would be reduced by 25% if all outstanding reconciliation statements are mailed by February 28th. No reduction would be made if the reconciliation statements are sent after February 28th.

Money in the fund would be used to compensate cities, towns, school corporations, and libraries for interest expenses incurred to borrow money in anticipation of tax distributions and for foregone interest earnings if the unit self-funded its operating and capital requirements while tax bills were delayed.

Subject to DLGF approval, the county executive would be permitted to employ special masters and deputy special masters to carry out the duties of the county auditor and county treasurer as is necessary to issue property tax bills. The DLGF may specify the scope of the special master's duties and may set standards for the selection and conduct of the special masters,.

The county treasurer would be required to accept property tax payments made by debit card, credit card, bank card, or electronic transfer. In addition the county council would be permitted to grant a 2% discount if the taxes billed on the reconciliation statement are paid within 30 business days after the treasurer sends the bills.

The bill requires that:

1. Trending and other adjustments must be applied separately to the assessments for each year and that each year's adjusted assessment is to serve as the basis for the following year's assessment;
2. The county must submit separate parcel-level assessment and tax billing data for each year covered by the bills to the DLGF and LSA;
3. Penalties and interest on the delinquent reconciliation bills are waived for 6 months after the payment is due;
4. A homestead on which the payment of the reconciliation bill is past due cannot be placed on the tax sale list for at least 12 months after the payment is due;
5. The eligibility period for deductions and credits is extended to 45 after the reconciliation bill is mailed; and
6. The county must establish an installment payment plan for the payment of the reconciliation bills.

The bill would also permit the state to withhold a portion of the county's local option income tax distributions to reimburse the DLGF if the department incurs additional costs to assist a covered county to issue the reconciling tax bills.

This provision would help to speed up the collection of outstanding property taxes in LaPorte County. While some provisions include additional costs for the county and early payment discounts that could reduce the amount collected, a speedup of collections would result in decreased interest expenses for all taxing units that have to borrow money in anticipation of the tax revenue.

(Revised) *Redevelopment Commission Reports*: Under current law, except in Marion County, redevelopment commissions must file an annual report with the taxing unit that sets out the commissions activities during the previous year. The report must show the names of the commissioners and officers, the number of employees and their compensation, the total expenditures and their general purpose, and funds on hand. This provision would also require an accounting of TIF revenues expended by any entity receiving the TIF revenues as a grant or a loan from the commission.

Also under this bill, the Metropolitan Development Commission in Marion County would be required to file a similar report with the Mayor.

The bill would require a copy of the reports in all counties to be submitted to the DLGF in an electronic format.

Explanation of Local Revenues: *Cyclical Reassessment*: Under current law, real property is fully reassessed every five years. The general reassessment currently under way takes effect with taxes payable in 2013. Annual adjustments to real property values are applied each year in which a general reassessment does not take effect.

Under this bill, counties would submit a reassessment plan to the DLGF by June 30, 2013. The plan must divide the parcels in the county into four groups that contain approximately 25% of the parcels in each property class. Beginning with the March 1, 2015, assessment, each county would reassess one group each year rather than conduct a general reassessment once every five years. However, a county could submit a plan to reassess more than 25% (up to 100%) of the parcels in any one year. Parcels that are not reassessed in a year would still be subject to annual adjustments.

The bill would allow a group of taxpayers to petition the DLGF for the reassessment of a designated assessment group. The petition could be filed up to 45 days after the notice of reassessment and must be signed by the lesser of (1) 100 real property owners in the group or (2) 5% of the real property owners in the group. If a petition is filed, the DLGF could conduct a reassessment or order the local assessor to perform a reassessment.

Assuming that all property is currently assessed in accordance with the assessment and trending rules, general reassessments under current law should result in only modest one-year changes to most assessments. The general reassessment also picks up physical changes in property not previously noted. The change to cyclical reassessments would have the same overall effect. Since annual adjustments would continue for non-reassessed property, there should be no discernable change in overall assessment levels.

Soil Productivity Factors: Each farmland assessment begins with the base rate per acre, which is $1,630 for taxes payable in 2013. The base rate is then adjusted by the soil productivity factor and influence factors to calculate the assessed value for a particular parcel. Each parcel may have multiple soil types. The DLGF recently released new soil productivity factors for use in farmland assessments beginning with the 2012 Pay 2013 tax year.

Based on data from 69 counties, the Pay 2012 soil productivity factors range from 0.5 to 1.28 with an acreage-weighted average of 0.958. The Pay 2013 factors will range from 0.5 to 1.66 with a weighted average of 1.203, or a 25.5% increase in the average. The assessed value of farmland will increase by a similar percentage. The change in assessed valuation will result in an estimated 18.5% increase in the net property tax on farmland. The total increase in farmland net tax in all 92 counties is estimated at $57 M.

As a result of the increase in assessed valuation, tax rates will be reduced. The lower tax rates will cause a reduction in net tax bills for all other property types and a reduction in circuit breaker losses for civil taxing units and school corporations. In addition, the lower tax rates will cause a small reduction in TIF proceeds.

This bill would delay implementation of the new factors until taxes payable in 2014. The tax shift from all property types to farmland would be delayed by one year as would the reduction in circuit breaker losses and the reduction in TIF proceeds.

State Agencies Affected: Department of Local Government Finance; Indiana Bond Bank; Department of State Revenue; State Auditor.

Local Agencies Affected: Local assessors; Civil taxing units and school corporations; LaPorte County taxing units and county officials.

Information Sources: LSA property tax databases.

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